

June 16, 2005

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, Massachusetts 02110

RE: Default Service, D.T.E. 04-115

Dear Secretary Cottrell:

On December 6, 2004, the Department of Telecommunications and Energy issued a Request for Comments on the Procurement of Default Service Power Supply for Residential and Small Commercial and Industrial Customers. The Department requested comments on whether smaller customers would be better served if power supply for default/basic service (i) consisted of a resource portfolio selected through more than two solicitations, and (ii) was procured for a term longer than one year. The Department also requested comments on whether smaller customers would be better served if power supply for default/basic service was procured (i) using a statewide procurement process, rather than the existing service territory-specific approach, and (ii) using a descending clock auction, rather than the existing request for proposal approach.

In an attempt to gain an understanding of the value residential customers associate with having a choice of suppliers versus the cost of electricity, the Attorney General commissioned a Residential Customer Survey ("Survey").¹ (See Attached). The survey population included participants from around the Commonwealth except the communities currently served by the Cape Light Compact, since they are the default service provider for the aggregation.

¹ *The Summary Report of Residential Choice Survey 2004* was prepared for the Attorney General by Critical Insights and is attached as Attachment 1.

The results of the Survey indicate that:

- most consumers are not very well informed about electric restructuring. Nearly three-fourths of respondents (72%) indicated that they are either not very well informed, or not at all informed about electric restructuring. Only seven percent said that they are very well informed.
- while most consumers think that having more competition would help consumers in the long-term, the overall preference is to maintain the standard offer² at a reduced rate.
- only about three percent of respondents said that they had ever wavered from the standard offer by purchasing from a competitive supplier. Similarly, only five percent of respondents mentioned that they had ever tried to find a competitive supplier.
- there is moderate support for having the State obtain standard offer, or default service at the best possible price, even if the result is little or no retail competition in Massachusetts. Forty-five percent of respondents support this option, while fewer than one-in-five oppose this option. Fully one-third of respondents provided a neutral response to this option.
- a majority of consumers (62%) would look for a savings in their monthly electric bill of between 10 and 29 percent in order to stimulate them to shop for alternatives.
- there is a moderate level of support for electricity that is generated from environmentally clean fuel sources – even at an increased cost to the consumer. Over half the respondents (56%) indicated that they would be willing to pay more in order to support environmentally clean electricity. Similarly, (57%) of respondents said that they be somewhat or very likely to purchase environmentally clean electricity at an increased rate of 10 percent if they had the ability to “check-off” this option on their utility bill.

² The survey was conducted before standard offer ended on March 1, 2005.

The Attorney General appreciates the opportunity to present the information contained in this Survey to the Department in order to assist in any decisions it makes regarding changes to the procurement of default/basic service power supply for smaller customers.

Respectfully submitted,

THOMAS F. REILLY
ATTORNEY GENERAL

By:

Joseph Rogers
Colleen McConnell
Assistant Attorneys General
Utilities Division
One Ashburton Place
Boston, MA 02108
(617) 727-2200